

PUBLIC EMPLOYEES RETIREMENT BOARD MEETING AND RETREAT

August 20 - 21, 2006

8:30 A.M.

The Annual Board Meeting and Retreat of the Public Employees Retirement Board convened at 10:30 a.m., Sunday, August 20, 2006, in the Executive Room of the Kearney Holiday Inn and Convention Center, in Kearney, Nebraska.

The Board members were notified of this meeting by letter dated August 11, 2006. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, August 14, 2006. Mr. Peters chaired the meeting and Ms. Linder recorded the minutes.

MEMBERS PRESENT:	CHARLES PETERS, CHAIR
	DENIS BLANK, VICE-CHAIR
	ROGER REA
	DALE KAHLA
	MARK SHEPARD
	GLENN ELWELL
	RICHARD WASSINGER
	DAVE BOMBERGER, EX-OFFICIO

MEMBERS ABSENT:	JUDGE GLENN CAMERER
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NONMEMBERS PRESENT:

ANNA SULLIVAN Director	JAN FOX Training Supervisor
JASON HAYES Legislative Retirement Counsel	RANDY GERKE Accounting and Finance Manager
DAVE SLISHINSKY Mellon Consultants	TERESA ZULAUF Internal Auditor
MICHELLE DeLANGE Buck Consultants	SHEILA LINDER Administrative Assistant
JOE SCHAEFER Legal Counsel	

Meeting Called to Order: Chairperson Peters called the August 20 and 21, 2006, Board Meeting and Retreat to order at 10:30 a.m. Present at roll call: C. Peters, D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, R. Wassinger, and D. Bomberger. Absent: G. Camerer.

Legislative Program Audit Implementation Plan – Discussion and Development:

Mr. Blank distributed an outline of the plan of action in response to the Performance Audit. The Board reviewed and discussed the findings.

A verbal update was given on the Union Bank & Trust recordkeeping transition under find No. 10 of the implementation plan.

The Board recessed at 12:08 p.m. for lunch. The Board reconvened at 1:00 p.m.

At 2:20 p.m., Mr. Rea moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing personnel issues. Motion was seconded by Mr. Wassinger. Members voted as follows: For: D. Blank, R. Rea, D. Kahla, M. Shepard, G. Elwell, R. Wassinger, and C. Peters. Against: None. Motion carried.

At 3:28 Mr. Rea moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Wassinger. Members voted as follows: For: R. Rea, D. Kahla, M. Shepard, G. Elwell, R. Wassinger, C. Peters, and D. Blank. Against: None. Motion carried.

The Board continued reviewing each item of the Performance Audit and determined the plan of action for each finding.

Mr. Blank will prepare another draft of the plan of action from the discussion held.

Board Policies Review & Disability Determination Process: Copies of revised policies were provided to the Board in the Board packets. Mr. Rea reviewed the changes that were made to the policies and noted that some policies were renumbered to fill in where numbers had been assigned to policies but the policies have not been created. He also stated the goal is to complete the review and revision of the policies within the next two months. The policies will be finalized and presented for approval at the September Board Meeting.

Review of LR's and Legislation: Mr. Hayes reviewed the Interim Study Resolutions that were referred to the Nebraska Retirement Systems Committee. LR's 338, 339, 340, and 376 are scheduled for hearing on November 21st and LR's 341, 342, 417, 343, and 356 are scheduled for hearing on December 4th. The Retirement Committee is open to receiving the Board's input on the resolutions and the Board has been asked to consider responses on the Legislative Resolutions.

Technical changes for the coming legislative session will need to be prepared for bill drafting by December 1st. Mr. Schaefer solicited changes from the managers by email on August 10th asking for changes by September 15th.

Education for New Senators: Ms. Sullivan reviewed the "Key Facts Regarding State Government Cash Balance Retirement Plans," "Key Facts Regarding State Government Defined Benefit Retirement Plans," and a sheet showing the amount of retirement benefits going to all of the counties in Nebraska. These informational sheets will be provided to the new Senators.

Mr. Rea reported that "The Impact of Pension Benefits Paid by the Teacher Retirement System of Texas" is on the NASRA website. He suggested that we could use the format in preparing a report.

Fiduciary Duties: Copies of "Sources of Fiduciary Duties," Section 84-1503.02 of the statutes, and "Sources of Standards of Conduct" were provided in the Board mailing. Mr. Schaefer reviewed the three sources for fiduciary duties. Mr. Peters suggested considering some other identification as far as the board members being defined as prudent experts. Mr. Schaefer said that would be hard to do. Sgt. Elwell agreed with Mr. Schaefer. Sgt. Elwell suggested that each board member have a personnel file to show the education of each board member and demonstrate that the members are prudent. Ms. Linder will check to see how Ms. Pomajzl keeps the information on board education and travel.

Parliamentary Procedure: Mr. Rea had prepared a table on Basic Parliamentary Procedure for the PERB. Mr. Rea suggested that the Board abandon Roberts Rules of Order and use the Basic Parliamentary Procedure. Mr. Rea moved for adoption as presented. Mr. Blank seconded the motion. Members voted as follows: For: D. Kahla, M. Shepard, G. Elwell, R. Wassinger, C. Peters, D. Blank, and R. Rea. Against: None. Motion carried.

The Board recessed at 5:15 p.m.

Mr. Shepard and Mr. Kahla left the meeting/retreat during the evening break.

The Board reconvened at 8:08 a.m.

Review of Key Actuarial Topics: Mr. Slishinsky explained the actuarial work done for NPERS, funding long-term payments, assumptions, fundamentals, actuarial valuation process, valuation results, causes of unfunded accrued liabilities, funding process for entry age normal, how changes in major assumptions effect liabilities and contributions, actuarial gains and losses, and actuarial value vs. market value.

At 9:38 a.m. the Board took a break and reconvened at 9:50 a.m.

Mr. Slishinsky then reviewed the Cash Balance Plan and explained the similarities and differences between a defined contribution plan, a cash balance plan, and a true defined benefit plan.

Investments and Assets / Liabilities: Mr. Bomberger reviewed portions of the Asset Liability Study prepared by Ennis Knupp for the Nebraska Investment Council in 2005.

For the year ended June 30, 2006, the rate of return was 10.9% for the defined benefit plans and 9.9% for the cash balance plan.

At 11:17 a.m. the Board took a break and reconvened at 11:28 a.m.

Excuse Board Members: Mr. Blank moved to excuse Judge Camerer. Sgt. Elwell seconded the motion. Members voted as follows: For: G. Elwell, R. Wassinger, C. Peters, D. Blank, and R. Rea. Against: None. Motion carried.

Agenda Item 3 - Approval of Minutes: Mr. Wassinger moved that the minutes of the July 17, 2006, regular Board Meeting and the August 8 Special Meeting be approved. Motion was seconded by Mr. Rea. Members voted as follows: For: R. Wassinger, C. Peters, D. Blank, R. Rea, and G. Elwell. Against: None. Motion carried.

Agenda Item 4 - Approval of Budget Status Report & July Retirement Report: Mr. Rea moved to approve the budget status report and the July 2006 Retirement Report. Motion was seconded by Mr. Blank. Members voted as follows: For: C. Peters, D. Blank, R. Rea, G. Elwell, and R. Wassinger. Against: None. Motion carried.

Investment Officer's Update: Mr. Bomberger reported that the Investment Council has not met since the last Board Meeting. They will be meeting on Tuesday, August 29th. The Governor appointed John Dinkel of Norfolk, Nebraska, as the replacement for John Maddux on the Council. Mr. Rea moved to approve the Investment Officer's report. Mr. Wassinger seconded the motion. Members voted as follows: For: D. Blank, R. Rea, G. Elwell, R. Wassinger, and C. Peters. Against: None. Motion carried.

Budget FY 07-09: Mr. Gerke stated that we want to hold the budget at base and not increase it except for the JAVA conversion. There was a little over a half million dollars in budget savings and he is estimating \$509,000 and \$219,000 in vacancy savings for the IT manager and the programmer positions respectively. PSL savings cannot be used the following fiscal year, but it does drop down into operating expenses. The JAVA migration is estimated to be about \$6.5 million based on a rewrite with Saber. They project to begin the migration in March of 2007.

Mr. Rea noted there needs to be money in the budget to do a nationwide search for the Director position. He estimated we might need \$75,000 for the search.

Ms. Sullivan stated the \$119,000 for training includes the money for Forte training (that was stopped due to the need for the conversion to JAVA), IT training, manager training, and customer service training. Mr. Blank stated we need to know what kind of flexibility we have in the hiring process and what the limitations for salary are for both the IT manager and the Director.

Mr. Rea also stated he felt it is important to increase PSL by \$50,000 for the Director position.

Ms. Sullivan mentioned the programmer position was approved for only one year and so will need to be requested again in the new budget.

Mr. Schaefer reminded the Board that the letter for the DCP ruling that the plans meet all of the federal qualifications is still "hanging out there." We will need funds to have this process completed.

Mr. Rea moved to approve the budget as modified today. Mr. Wassinger seconded the motion. Members voted as follows: For: R. Rea, G. Elwell, R. Wassinger, C. Peters, and D. Blank. Against: None. Motion carried.

Director's Report: The Board received a Union Bank & Trust update yesterday.

Copies of the Managers' annual reports were provided in the Retreat books.

Ms. Sullivan stated she has received a number of requests to speak. She has been asked to be a panelist for the International Foundation annual conference. The Board members concurred that due to her unique knowledge, it is good that she is willing to do this and should not be reluctant despite her pending departure. Any expenses for these speaking engagements would be the responsibility of the requesting entity.

Ms. Sullivan stated there is a project on hold with the research division at the University on defined contribution plans. The person in charge of the project had applied for a grant to fund the research. This may involve releasing names and addresses to allow them to conduct their research (pending legal review).

We have transferred annual end-of-year data to the actuary for his annual valuation for School, Judges, and Patrol. We are waiting for the State and County audit to be completed so Mr. Slishinsky can provide an opinion on the possibility of a dividend.

The managers' reports were briefly reviewed. Ms. Sullivan noted that great progress has been made on our Disaster Recovery Plan, in most part thanks to Tammy Petersen who chaired this project.

Mr. Blank moved to accept the Director's report. Sgt. Elwell seconded the motion. Members voted as follows: For: G. Elwell, R. Wassinger, C. Peters, D. Blank, and R. Rea. Against: None. Motion carried.

Chairperson's Comments: Mr. Peters provided a review of the need for the PIONEER system, the process for approval of obtaining the system, noting that the system was completed on time and on budget.

Two years ago there was a group picture taken that was used in the Annual Report. The picture was taken the same day as the Investment Council picture. Ms. Linder was asked to coordinate with the Investment Council staff so that another picture will be taken this year.

Future Meetings / Agendas: The next meeting will be held on Monday, September 25, 2006, in the TierOne Community Meeting Room at 1221 N Street. Agenda items will include plans for the joint meeting with the Investment Council scheduled for November, an IT update, a Union Bank update, review of another draft of the legislative audit response, and final approval of the Board Policies.

Agenda Items 15 and 16 - Executive Session: At 12:49 p.m., Mr. Blank moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing

disability applications from plan members Retirement Nos. 053430, 126949, 079382, 146297, 092564, legal and personnel matters. Motion was seconded by Mr. Rea. Mr. Peters restated the motion for the record. Members voted as follows: For: R. Wassinger, C. Peters, D. Blank, R. Rea, and G. Elwell. Against: None. Motion carried.

At 2:27 p.m., Mr. Rea moved that the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by Mr. Blank. Members voted as follows: For: C. Peters, D. Blank, R. Rea, G. Elwell, and R. Wassinger. Against: None. Motion carried.

Mr. Rea moved to approve Disability Applications for Retirement Nos. 053430, 079382, 146297, and 092564. Mr. Blank seconded the motion. Members voted as follows: For: D. Blank, R. Rea, G. Elwell, R. Wassinger, and C. Peters. Against: None. Motion carried.

Mr. Rea moved that Disability Application for Retirement No. 126949 be denied. Mr. Blank seconded the motion. Members voted as follows: For: R. Rea, G. Elwell, R. Wassinger, C. Peters, and D. Blank. Against: None. Motion carried.

Mr. Rea moved that Board appoint Randy Gerke as Interim Director as of October 1, 2006. Mr. Blank seconded the motion. Members voted as follows: For: G. Elwell, R. Wassinger, C. Peters, D. Blank, and R. Rea. Against: None. Motion carried.

Mr. Rea moved that the Chair appoint a search committee consisting of Mr. Blank, Mr. Wassinger, Mr. Shepard, and Mr. Bomberger for the Director position. Mr. Wassinger seconded the motion. Members voted as follows: For: R. Wassinger, C. Peters, D. Blank, R. Rea, and G. Elwell. Against: None. Motion carried.

Ms. Sullivan announced there will be a reception for Carol Kontor on August 29, 2006, from 3:00 to 5:00 p.m. at Embassy Suites in Lincoln.

Mr. Wassinger stated that Mr. Rea and the committee who did planning for the retreat did an excellent job and it was a successful retreat.

Adjournment: Mr. Blank moved that the meeting adjourn. Motion was seconded by Mr. Rea. Members voted as follows: For: C. Peters, D. Blank, R. Rea, G. Elwell, and R. Wassinger. Against: None. Motion carried.

The meeting adjourned at 2:25 p.m.

Anna J. Sullivan
Director